

STATEMENT OF PURPOSE

RS18853

This legislation adopts provisions of the Unemployment Insurance Modernization proposal outlined in the American Recovery and Reinvestment Act of 2009. Specifically, this bill adopts an alternative base period on wages of the four completed calendar quarters prior to layoff for determining unemployment insurance benefit eligibility and benefit amount for claimants who do not qualify under the traditional base period, which is the first four of the five completed calendar quarters prior to layoff. This would affect about 8 percent of claimants and takes effect Oct. 1. The bill also extends benefits to claimants who have exhausted all other benefit allotments and are participating in state approved training and for claimants who were laid off from part-time jobs and only want to seek part-time jobs in the future. Currently people in part-time jobs can receive benefits if they meet the wage requirements, but to continue receiving benefits they must seek full-time work. Both these benefit expansions would affect less than 1 percent of claimants and take effect Jan. 1, 2010. In return for adopting these three benefit expansions, the state will receive an immediate \$33 million infusion from the U.S. Department of Labor Reed Act Funds into its Unemployment Insurance Trust Fund.

FISCAL NOTE

There is no impact on the State General Fund. The immediate infusion of Reed Act money into the state trust fund will minimize the amount of money the state will have to borrow when the fund is depleted late this year or early next year. It will also lower the unemployment insurance employer tax increase in 2010 by 10 percent to 15 percent and by a somewhat lower percentage in 2011. The expanded benefits will mean an additional payout from the trust fund of about \$3 million a year so that the Reed Act incentive of \$33 million will finance the expansion for 12 years before employers would face higher taxes to continue paying these additional benefits. At that point, the Legislature, if it chose, would have the authority to repeal the expanded benefits without penalty from the federal government.

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